

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.**Financial Statements and Independent Auditor's Report
As of and for the Year Ended December 31, 2008**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/12/09

Anthony B. Baglio, C.P.A., A.P.A.C.
Certified Public Accountants

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
As of and for the Year Ended December 31, 2008

Table of Contents

	Page No.
Independent auditor's report	2
Financial Statements	
Statement of financial position arising from appropriations and certain other transactions	4
Statement of activities and changes in net assets arising from appropriations and certain other transactions	5
Statement of cash flows arising from appropriations and certain other transactions	7
Notes to the financial statements limited to appropriations and certain other transactions	8
Internal Control and Compliance and Other Matters Report	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government</i> <i>Auditing Standards</i>	20
Supplemental Information Schedules	
Schedule of findings and responses	22
Summary schedule of prior year audit findings	24

ANTHONY B. BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION
2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155

INDEPENDENT AUDITOR'S REPORT

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Natalbany Volunteer Fire Department, Inc.
Natalbany, Louisiana

I have audited the accompanying statement of financial position of Natalbany Volunteer Fire Department, Inc. (Natalbany) (a nonprofit organization) as of December 31, 2008, and the related statements of activities and changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The financial statements referred to above include only the funds appropriated by Rural Fire Protection District No. 2 to Natalbany, plus certain other transactions. The statements are intended to allow Rural Fire Protection District No. 2 to monitor the use and application of appropriated funds and should not be used for any other purpose.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position resulting from appropriations and certain other transactions of Natalbany Volunteer Fire Department, Inc. as of December 31, 2008, and the changes in its net assets and its cash flows arising from appropriations and certain other transactions for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Honorable Frank B. Gerarve, Fire Chief
Independent Auditor's Report
July 6, 2009
(Continued)

In accordance with *Government Auditing Standards*, I have also issued my report dated July 6, 2009, on my consideration of Natalbany's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Natalbany taken as a whole. The supplemental information schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Anthony B. Baglio, CPA
A Professional Accounting Corporation

July 6, 2009

Natalbany Volunteer Fire Department, Inc.
Statement of Financial Position
Arising from Appropriations and Certain Other Transactions
December 31, 2008

Assets	
Current Assets	
Cash and Cash Equivalents	\$ 153,188
Receivable, Ad Valorem	103,232
Prepaid Insurance	12,746
Prepaid Training Materials	8,061
Total Current Assets	<u>277,227</u>
Fixed Assets	
Land	62,562
Buildings	75,000
Building Improvements	161,875
Machinery & Equipment	31,757
Vehicles	34,078
Total Fixed Assets	<u>365,272</u>
Less Accumulated Depreciation	<u>(34,317)</u>
Net Fixed Assets	<u>330,955</u>
Total Assets	<u><u>\$ 608,182</u></u>
Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 5,635
Insurance Payable	10,441
Accrued Salaries	13,755
Payroll Taxes Payable	2,193
Current Portion of Long-Term Debt	7,749
Total Current Liabilities	<u>39,773</u>
Long-Term Debt	
Long-Term Debt	<u>220,414</u>
Total Long-Term Debt	<u>220,414</u>
Total Liabilities	<u>260,187</u>
Net assets	
Temporarily Restricted	<u>347,995</u>
Total Net Assets	<u>347,995</u>
Total Liabilities and Net Assets	<u><u>\$ 608,182</u></u>

The accompanying notes are an integral part of these financial statements.

Natalbany Volunteer Fire Department, Inc.
Statement of Activities and Changes in Net Assets
Arising from Appropriations and Certain Other Transactions
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Support & Revenue			
Ad Valorem Taxes	\$ -	\$ 433,935	\$ 433,935
Revenue Sharing	-	63,140	63,140
Fire Insurance Rebate	-	29,467	29,467
Miscellaneous Income	-	9,683	9,683
Contributions	-	21,016	21,016
Grant	-	500	500
Rental Income	-	5,585	5,585
Sales of Fixed Asset	-	4,500	4,500
Supplemental Pay	-	20,400	20,400
Net Assets Released From Restrictions:			
Restrictions Satisfied by Payments	<u>541,841</u>	<u>(541,841)</u>	<u>-</u>
Total Public Support & Revenue	<u>541,841</u>	<u>46,385</u>	<u>588,226</u>
Program Expenses			
Capital Outlay	11,348	-	11,348
Computer Programs	3,410	-	3,410
Return of appropriation to Rural Fire	-	-	-
Protection District No. 2 for debt service	49,290	-	49,290
Depreciation	11,537	-	11,537
Donations	1,536	-	1,536
Dues and Subscriptions	554	-	554
Employee Benefits	2,540	-	2,540
Gas & Oil	19,069	-	19,069
Insurance	52,230	-	52,230
Interest	15,617	-	15,617
Janitorial	327	-	327
Loan Fees	150	-	150
Meals	1,699	-	1,699
Miscellaneous	930	-	930
Office Supplies	6,418	-	6,418
Outside Services	412	-	412
Payroll Taxes	21,749	-	21,749
Postage and Freight	1,321	-	1,321
Professional Fees	9,139	-	9,139
Rent	100	-	100
Repairs	14,324	-	14,324
Salaries	254,732	-	254,732
Supplies	9,967	-	9,967

The accompanying notes are an integral part of these financial statements.

Natalbany Volunteer Fire Department, Inc.
Statement of Activities and Changes in Net Assets
Arising from Appropriations and Certain Other Transactions
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Supplemental Pay	\$ 20,400	\$ -	\$ 20,400
Taxes and Licenses	1,123	-	1,123
Telephone	5,036	-	5,036
Training	6,902	-	6,902
Turn Out Gear	6,694	-	6,694
Uniforms	2,126	-	2,126
Utilities	11,161	-	11,161
Total Program Expenses	<u>541,841</u>	<u>-</u>	<u>541,841</u>
Change in Net Assets	<u>-</u>	<u>46,385</u>	<u>46,385</u>
Net Assets, Beginning	-	301,610	301,610
Net Assets, Ending	<u>\$ -</u>	<u>\$ 347,995</u>	<u>\$ 347,995</u>

The accompanying notes are an integral part of these financial statements.

Natalbany Volunteer Fire Department, Inc.
Statement of Cash Flows
Arising from Appropriations and Certain Other Transactions
Year Ended December 31, 2008

Operating Activities	
Change in Net Assets	\$ 46,385
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	11,537
Increase in Receivable, Ad Valorem	(3,191)
Increase in Prepaid Insurance	(426)
Decrease in Prepaid Training Materials	4,206
Decrease in Accounts Payable	(3,192)
Increase in Accrued Salaries	2,443
Decrease in Accrued Payroll Taxes Payable	(5,032)
Net Cash Provided by Operating Activities	<u>52,730</u>
Investing Activities	
Purchase of Fixed Assets	<u>(41,796)</u>
Net Cash (Used) by Investing Activities	<u>(41,796)</u>
Financing Activities	
Payments on Notes Payable	<u>(7,014)</u>
Net Cash (Used) in Financing Activities	<u>(7,014)</u>
Net Increase in Cash and Cash Equivalents	3,920
Cash and Cash Equivalents, Beginning of Year	<u>149,268</u>
Cash and Cash Equivalents, End of Year	\$ <u><u>153,188</u></u>
Supplemental Disclosure of Cash Flow Information:	
Cash paid during the year for interest	\$ <u><u>15,617</u></u>

The accompanying notes are an integral part of these financial statements.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

Introduction

The Natalbany Volunteer Fire Department, Inc. (Natalbany) was incorporated on February 3, 1956, as an association of volunteer firemen serving the Natalbany, Louisiana, geographical area. The Natalbany Volunteer Fire Department, Inc. is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code. The Natalbany Volunteer Fire Department, Inc. is funded, for the most part, by an annual appropriation from the Tangipahoa Parish Rural Fire Protection District No. 2 (Rural Fire Protection District No. 2).

The Rural Fire Protection District No. 2 contracts with the Natalbany Volunteer Fire Department, Inc. and nine other fire departments to carry out its mission of providing fire protection for the entire parish of Tangipahoa, excluding the incorporated municipalities and the entire Third Ward in Tangipahoa parish.

Rural Fire Protection District No. 2 receives ad valorem taxes, state revenue sharing, and two percent fire insurance rebated monies and appropriates these monies, along with interest earnings, to the ten individual fire departments in accordance with an annual agreement. The primary responsibility of each fire department is the prevention and termination of fires which pose a threat to life or property within its areas of responsibility. The secondary responsibility is to respond to any and all calls for assistance from any of the other fire departments in Rural Fire Protection District No. 2. With the formation of the 911 system in the parish, the responsibility of the fire department now includes handling certain 911 calls.

The annual agreement provides, in part, that the appropriation of revenue from Rural Fire Protection District No. 2 be based upon the square miles served by the individual fire departments, the population within the area served, and the number of fire calls received in a given period. The agreement also requires that the individual fire departments expend the appropriations exclusively for the purposes of operating, maintaining, and/or purchasing equipment and supplies for their fire department, and for approved salaries. The agreement additionally requires the individual fire departments to present quarterly statements of funds received and expended to the Rural Fire Protection District No. 2.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements present only the financial activities of Natalbany arising from appropriations received from Rural Fire Protection District No. 2, and certain other transactions. The financial statements are not intended to and do not present the financial position and results of operations in conformity with generally accepted accounting principles.

A. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, Natalbany is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

B. Support And Revenues

Support and revenue consists primarily of appropriations of ad valorem taxes, state revenue sharing, and fire insurance rebated funds received from Rural Fire Protection District No. 2 of Tangipahoa Parish. Natalbany receives a percentage of the total funds available to Rural Fire Protection District No. 2 based on the formula contained in a contract agreed to by all participating fire departments in Tangipahoa Parish. Other sources of revenues would include fund raising, contributions, and rental income from a house on their property.

C. Contributions

Natalbany has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

D. Cash and Cash Equivalents

Cash includes amounts in interest-bearing demand deposits and money market accounts. Amounts in time deposits and those investments with original maturities of ninety (90) days or less are considered to be cash equivalents.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

E. Fair Values of Financial Instruments

Natalbany's financial instruments, none of which are held for trading purposes, include cash. The following method and assumption used by Natalbany in estimating its fair value disclosures for financial instruments is:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

F. Fixed Assets

It is Natalbany's policy to expense all assets purchased with appropriations from Rural Fire Protection District No. 2, because they are owned by Rural Fire Protection District No. 2 as stated in the contract between Rural Fire Protection District No. 2 and the ten individual fire departments. Assets purchased with other revenues are recorded as fixed assets when purchased.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, Natalbany reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. Natalbany reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Fixed assets are stated at cost. Natalbany maintains a threshold level of \$500 or more for capitalizing fixed assets. Renewals and betterments that materially extend the life of the asset are capitalized. Upon retirement or disposal of an asset, the cost of the asset and the related accumulated depreciation are removed from the books. Any resulting gain or loss is included in the statement of activities. Straight-line depreciation is used. The assets are depreciated using the following useful lives:

	Estimated Useful Lives
Buildings	10 - 40 Years
Building Improvements	10 - 40 Years
Machinery and Equipment	5 - 7 Years
Vehicles	5 - 15 Years

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. CASH AND CASH EQUIVALENTS

At December 31, 2008, Natalbany had cash and cash equivalents totaling \$153,188 as follows:

Operations Account	\$ 76,594
General Account	76,594
Total	<u>\$ 153,188</u>

At December 31, 2008, Natalbany had \$151,680 in deposits (collected bank balances). These deposits were secured from risk by \$151,680 of federal deposit insurance.

For purpose of the statement of cash flows, Natalbany considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

3. FIXED ASSETS

Fixed Assets and depreciation as of and for the year ended December 31, 2008:

	<u>12/31/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/08</u>
Fixed assets not being depreciated:				
Land	\$ 62,562	\$ -	\$ -	\$ 62,562
Total fixed assets not being depreciated	<u>62,562</u>	<u>-</u>	<u>-</u>	<u>62,562</u>
Fixed assets being depreciated:				
Buildings	75,000	-	-	75,000
Building Improvements	136,099	25,776	-	161,875
Machinery & Equipment	15,737	16,020	-	31,757
Vehicles	34,078	-	-	34,078
Total capital assets being depreciated	<u>260,914</u>	<u>41,796</u>	<u>-</u>	<u>302,710</u>
Less accumulated depreciation for				
Buildings	5,819	2,110	-	7,929
Building Improvements	4,219	3,553	-	7,772
Machinery and Equipment	4,790	3,602	-	8,392
Vehicles	7,952	2,272	-	10,224
Total accumulated depreciation	<u>22,780</u>	<u>11,537</u>	<u>-</u>	<u>34,317</u>
Fixed assets being depreciated, net	<u>238,134</u>	<u>30,259</u>	<u>-</u>	<u>268,393</u>
Total fixed assets, net	<u>\$ 300,696</u>	<u>\$ 30,259</u>	<u>\$ -</u>	<u>\$ 330,955</u>

Depreciation expense for the year ended December 31, 2008 was \$ 11,537.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

4. LONG-TERM INDEBTEDNESS

Long-term debt consists of the following:

Loan at bank for buildings and land bearing interest at 6.50% requiring nine consecutive monthly interest payments beginning May, 2005, monthly principal and interest payments of 1,862.61 beginning February, 2006, and one payment of principal plus unpaid interest in 2010. Note secured by land and buildings.

Total Debt	228,163
	<u>\$ 228,163</u>
Current Portion	\$ 7,749
Long-Term Portion	220,414
Total Debt	<u>\$ 228,163</u>

The annual requirements to amortize all debt outstanding at December 31, 2008, including interest payments of \$15,796 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Total</u>
2009	\$ 22,351
2010	221,608
	<u>\$ 243,959</u>

The total interest charged to expense for the year ended December 31, 2008 was \$ 15,617.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

5. RETIREMENT SYSTEM

Employees of Natalbany Volunteer Fire Department, Inc. (Natalbany) participate in the Social Security System. Natalbany uses appropriations from Rural Fire Protection District No. 2 to provide the employer matching portions of the social security contribution. Neither Natalbany nor Rural Fire Protection District No. 2 has any liability for employee pension benefits. Full time employees, excluding the Chief, are also participating in a retirement program purchased through a life insurance company. Natalbany pays the monthly premiums on the retirement policy. However, neither Natalbany nor Rural Fire Protection District No. 2 have any liability for pension benefits paid upon retirement. The retirement program through the life insurance company was cancelled in 2008. The total expense for this program was \$ 900.

The Board of Directors of the Natalbany Volunteer Fire Department, Inc. adopted the Louisiana Public Employees Deferred Compensation Plan. A 457(b) deferred compensation plan is a retirement savings plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing pre-tax dollars through a voluntary salary contribution. All current full-time and part-time Louisiana public employees are immediately eligible to participate in the Louisiana 457(b) Deferred Compensation Plan. Natalbany Volunteer Fire Department, Inc., the employer, will contribute up to five percent of gross wages per pay-period. In 2008, the maximum contribution amount is 100% of compensation or \$15,500, whichever is less.. A special "catch-up" provision allows participants in the three calendar years prior to normal retirement age to contribute more (\$31,000 in 2008) into the 457(b) Plan. The aggregate account balance of employees of Natalbany Volunteer Fire Department participating in the plan was \$2,606. Employer contributions for the fiscal year ending December 31, 2008 totaled \$1,331.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

6. VACATION AND SICK LEAVE

Depending on their length of service, full-time employees of Natalbany Volunteer Department, Inc. earn vacation and sick leave annually as follows:

<u>Work Schedule</u>	<u>Years of Service</u>	<u>Vacation Hours</u>	<u>Sick Hours</u>
40 hours/week	1 - 5 years	40	40
	5-10 years	80	40
	10 or more	120	40
12 hour shift	1-5 years	48	60
	5-10 years	96	60
	10 or more	144	60
24 hour shift	1-5 years	56	72
	5-10 years	112	72
	10 or more	168	72

Unused vacation and sick leave expires at the end of each year. Additional sick leave is granted by the board on an individual basis.

7. LEASES

Natalbany is subleasing from Rural Fire Protection District No. 2, a related party, land on which a second fire station was erected. Rural Fire Protection District No. 2 has the lease with an individual for 50 years with an option to renew for an additional 50 years for \$50 per year. The lease began on June 24, 1992. All terms of Rural Fire Protection District No. 2's lease with the individual are binding on Natalbany. The lease requires Natalbany to pay property taxes on the property. The property reverts to the individual at the expiration of the lease. The first rent payment was due June 24, 1993. The rental expense for the current year is \$100, which is comprised of rent payments for 2007 and 2008.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

The future minimum lease payments are as follows:

2009	\$	50
2010		50
2011		50
2012		50
2013-2044		<u>1,500</u>
	\$	<u>1,700</u>

8. DONATED MATERIALS AND SERVICES

Natalbany Volunteer Fire Department, Inc. (Natalbany) records the value of donated goods or services when there is an objective basis available to measure their value. Donated materials or equipment, when received, are reflected as contributions in the accompanying statements at their estimated fair market values at the date of receipt.

No amounts have been reflected in the statements for donated services since the information was not available. Nevertheless, a substantial number of volunteers donated significant amounts of their time in Natalbany's program services.

9. ON BEHALF PAYMENTS MADE BY STATE OF LOUISIANA

For the year ended December 31, 2008, the State of Louisiana made on behalf payments in the form of supplemental pay to employees of the fire department. In accordance with GASB 24, Natalbany has recorded \$20,400 for the year ended December 31, 2008, of on behalf payments as revenue and as expenditures on the statement of activities and changes in net assets.

10. APPROPRIATIONS FROM LOAN PROCEEDS

A. Certificates of Indebtedness, Series 2006

In 2006, Rural Fire Protection District No. 2 borrowed \$ 255,000 on Certificates of Indebtedness, Series 2006 to be used by Natalbany to purchase a new fire engine.

There were two certificates of indebtedness issued. Certificates R-1, R-3, R-5, R-7, R-9, R-11, R-12, R-13, R-14, and R-15 were for \$ 217,000 with an interest rate of 4.35% between Rural Fire Protection District No. 2 and Hancock Bank of Louisiana. Certificates No. R-2, R-4, R-6, R-8, and

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

R-10 were for \$ 38,000 with an interest rate of 0.00% between Rural Fire Protection District No. 2 and the Louisiana Public Facilities Authority.

The certificates are secured by and payable solely from an irrevocable pledge and dedication of funds to be derived by the Rural Fire Protection District No. 2 from the levy and collection of a special 10 mills tax authorized to be levied in each of the years 2006 through 2015.

There is no contractual agreement that requires Natalbany to repay this indebtedness to the Rural Fire Protection District No. 2. However, Natalbany is expected to pay the annual debt service on these certificates of indebtedness from the annual appropriation to be received from Rural Fire Protection District No. 2.

At December 31, 2008, the balances owed by Rural Fire Protection District No. 2 on Certificates on Indebtedness, Series 2006 were as follows:

	Balance <u>12/31/07</u>	Payments <u>FYE 12/31/08</u>	Balance <u>12/31/08</u>
Certificate from Hancock	\$204,000	\$15,000	\$189,000
Certificate from LPFA	<u>\$ 31,000</u>	<u>\$ 7,000</u>	<u>\$ 24,000</u>
Totals	<u>\$235,000</u>	<u>\$22,000</u>	<u>\$213,000</u>

The annual requirements to amortize the debt outstanding at December 31, 2008, including interest payments of \$37,475 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Total</u>
2009	\$ 30,895
2010	31,221
2011	31,503
2012	31,568
2013	31,415
2014-2016	<u>93,873</u>
	<u>\$250,475</u>

Debt service payments including interest for 2008 were \$ 30,548.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

B. Certificates of Indebtedness, Series 2007A

In 2007, Rural Fire Protection District No. 2 borrowed \$ 140,000 on Certificates of Indebtedness, Series 2007A to be used by Natalbany to purchase a new rescue truck.

There were two certificates of indebtedness issued. Certificates R-1, R-3, R-5, R-7, R-9, R-11, R-12, R-13, and R-14 were for \$ 119,000 with an interest rate of 4.16% between the Rural Fire Protection District No. 2 and Hancock Bank of Louisiana. Certificates R-2, R-4, R-6, R-8, and R-10 were for \$ 21,000 with an interest rate of 0.00% between Rural Fire Protection District No. 2 and the Louisiana Public Facilities Authority.

The certificates are secured by and payable solely from an irrevocable pledge and dedication of funds to be derived by the Rural Fire Protection District No. 2 from the levy and collection of a special 10 mills tax authorized to be levied in each of the years 2006 through 2015.

There is no contractual agreement that requires Natalbany to repay this indebtedness to the Rural Fire Protection District No. 2. However, Natalbany is expected to pay the annual debt service on these certificates of indebtedness from the annual appropriation to be received from Rural Fire Protection District No. 2.

At December 31, 2008, the balances owed by Rural Fire Protection District No. 2 on Certificates on Indebtedness, Series 2007A were as follows:

	Balance <u>12/31/07</u>	Payments <u>FYE 12/31/08</u>	Balance <u>12/31/08</u>
Certificate from Hancock	\$119,000	\$ 10,000	\$109,000
Certificate from LPFA	<u>\$ 21,000</u>	<u>\$ 4,000</u>	<u>\$ 17,000</u>
Totals	<u>\$140,000</u>	<u>\$ 14,000</u>	<u>\$126,000</u>

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Notes to the Financial Statements Limited to
Appropriations and Certain Other Transactions
As of and for the Year Ended December 31, 2008

The annual requirements to amortize the debt outstanding at December 31, 2008, including interest payments of \$20,446 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Total</u>
2009	\$ 18,326
2010	17,910
2011	18,474
2012	19,016
2013	18,454
2014-2016	<u>54,266</u>
	<u>\$146,446</u>

Debt service payments including interest for 2008 were \$ 18,742.

11. CONTRACTUAL OBLIGATIONS

Natalbany entered into an agreement with the Tangipahoa Parish Rural Fire Protection District No.2 in February 2008. It was agreed that the sum of \$ 10,000 of the funds appropriated annually to Natalbany is designated as a fee paid by the Tangipahoa Parish Rural Fire Protection District No. 2 to Natalbany for furnishing fire protection in the area served by Natalbany ("the fee"). The fee is to be used by Natalbany at its sole discretion subject to its contractual duty to account for the expenditure of this sum and all sums appropriated by the Tangipahoa Parish Rural Fire Protection District No. 2.

It is further understood and agreed that the fee funds may be used by Natalbany for the purchase of land, buildings, equipment, and that the Tangipahoa Parish Rural Fire Protection District No. 2 will not acquire any ownership interest in such property, whether movable or immovable. The contractual obligation payments for the year ended December 31, 2008 were \$10,000.

13. COMPLIANCE WITH LAWS

Natalbany did not comply with the state supplemental pay laws.

**ANTHONY B. BAGLIO, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

2011 Rue Simone
Hammond, Louisiana 70403
(985) 542-4155

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Frank B. Gerarve, Fire Chief
and Members of the Board of Directors
Natalbany Volunteer Fire Department, Inc.
Natalbany, Louisiana

I have audited the financial statements of Natalbany Volunteer Fire Department, Inc. (Natalbany) (a non-profit organization) as of and for the year ended December 31, 2008, and have issued my report thereon dated July 6, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Natalbany's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Natalbany's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Natalbany's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects Natalbany's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Natalbany's financial

Honorable Frank B. Gerarve, Fire Chief
Internal Control over Financial Reporting
July 6, 2009
(Continued)

statements that is more than inconsequential will not be prevented or detected by Natalbany's internal control. I consider the deficiency described in the accompanying schedule of findings and responses as item 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Natalbany's internal control.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, I believe the significant deficiency described above as item 08-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Natalbany's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 08-02.

Natalbany's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. I did not audit Natalbany's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the audit committee, Board of Directors, and the Louisiana Legislative Auditor. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Anthony B. Baglio, CPA

A Professional Accounting Corporation
Hammond, Louisiana
July 6, 2009

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Supplemental Information Schedules

As of and For the Year Ended December 31, 2008

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Schedule of Findings and Responses

Year Ended December 31, 2008

SECTION 1 - Internal Control and Compliance Material to the Financial Statements

INTERNAL CONTROL

FINDING NO. 08-01

Missing invoices

Natalbany maintains a bank account where proceeds come from other sources rather than the Rural Fire Protection District No. 2. In sampling some of the invoices paid through this account, it was determined that eleven (11) out of the twelve (12) month's invoices for paid bills could not be found. This would represent approximately \$ 37,580 or about seven percent (7%) of the total expenditures of Natalbany that did not have supporting documentation for the bills that were paid.

Proper controls would require a supporting invoice be approved before payment is made. These invoices should be maintained to support payments.

It is recommended that copies of these invoices be obtained. These invoices should also be verified to insure a proper payment was made.

Response by Management

We are in the process of calling all vendors to receive copies of all invoices that are not available. A spreadsheet has been developed to track the invoices on hand and those invoices that are still missing. Some of the invoices have already been received, and we hope to have most if not all of the missing invoices within the next two weeks.

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.

Schedule of Findings and Responses (Continued)

Year Ended December 31, 2008

COMPLIANCE

FINDING NO. 08-02

Noncompliance with payroll laws

Natalbany received supplemental pay from the State of Louisiana in the amount of \$ 20,400 for it's firemen for the year ended December 31, 2008. This amount was included on the employee W-2's but was not reflected on the 941 payroll tax reports. Social security taxes were not withheld from the payment nor was the match of the social security made by Natalbany.

It is recommended that controls be implemented to insure when the supplemental money comes in that the proper withholdings are deducted from the check and the proper match is made. Corrected 941 payroll reports should be prepared reflecting the proper social security taxes. The employee portion of the social security should be collected from the employees involved.

Response by Management

We were unaware that Natalbany was to withhold taxes for the employees that were receiving state supplemental pay. When we became aware of this, we made payroll adjustments for each employee to withhold taxes for current and prior pay for the year 2009. It has been noted to withhold taxes for supplemental pay for any future employees. Also, all reports will be amended and all taxes will be collected to correct the oversight in 2008.

SECTION II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II

SECTION III - Management Letter

No Findings for Section III

NATALBANY VOLUNTEER FIRE DEPARTMENT, INC.
Summary Schedule of Prior Year Audit Findings
Year Ended December 31, 2008

<u>Ref No.</u>	<u>Description of Finding</u>	<u>Management's Corrective Action Taken</u>	<u>Planned Corrective Action Taken</u>
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SECTION I - Internal Control and Compliance Material to the Financial Statements

INTERNAL CONTROL

07-01	Records for all minutes were not available/records insufficient	YES	
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COMPLIANCE

07-02	Cash management laws	YES	
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SECTION II - Internal Control and Compliance Material to Federal Awards

No Findings for Section II

SECTION III - Management Letter

No Findings for Section III